R E P O R T R E S U M E S

ED 014 600 VT 003 837

FARM LABOR COSTS AND FOOD PRICES, 1964-65.

PUB DATE APR 66

EDRS PRICE MF-$0.25 HC-$0.32 6P.

DESCRIPTORS- BRACEROS, *FARM LABOR SUPPLY, AGRICULTURAL LABORERS, FOREIGN WORKERS, *AGRICULTURAL PRODUCTION, FOOD, LABOR ECONOMICS, WAGES, *FOOD PRICES, CALIFORNIA,

TO MEASURE THE IMPACT OF THE DECLINE OF FOREIGN AGRICULTURAL WORKER EMPLOYMENT ON FARM-LABOR COSTS, FOOD PRICES, AND RETURN TO THE FARMER, AN ANALYSIS WAS MADE OF THE 1964-65 CHANGES IN THESE FACTORS FOR SELECTED CALIFORNIA CROPS. TOMATOES, LETTUCE, STRAWBERRIES, CANTALOUPES, CELERY, LEMONS, AND ASPARAGUS, WHICH ACCOUNTED FOR 71 PERCENT OF THE STATE'S TOTAL FOREIGN-WORKER MAN-YEAR INPUT IN AGRICULTURE IN 1964 AND 89 PERCENT IN 1965, WERE INCLUDED IN THIS STUDY. BETWEEN 1964 AND 1965 THE UTILIZATION OF FOREIGN-WORKER EMPLOYMENT DECREASED FROM 7,500 TO 2,100 MAN-YEARS IN TOMATOES, 3,382 TO 59 IN LETTUCE, 3,236 TO 357.5 IN STRAWBERRIES, 766 TO 0 IN CANTALOUPES, 938.8 TO 24.8 IN CELERY, 3,244 TO 63 IN LEMONS, AND FROM ONE-HALF OF ALL WORKERS TO LESS THAN ONE-TENTH IN ASPARAGUS. INCREASES IN WAGE COSTS WERE LESS THAN ADVANCES IN PRICES PAID TO THE GROWERS FOR ALL CROPS EXCEPT CELERY AND LETTUCE. CHANGES IN WAGES, PRODUCTION LABOR COSTS, PRICES PAID TO FARMERS, AND RETAIL PRICES SUPPORT THE HYPOTHESIS THAT FIELD-LABOR COSTS MAY RISE SUBSTANTIALLY WITHOUT CAUSING A SIGNIFICANT CHANGE IN RETAIL PRICES. THE FINDINGS INDICATE THAT MAJOR ADVANCES COULD BE MADE TOWARD IMPROVING THE LIVING STANDARDS OF PERSONS CURRENTLY EMPLOYED IN AGRICULTURE AND IN MAKING AGRICULTURAL EMPLOYMENT MORE ATTRACTIVE TO YOUNG PEOPLE TO ARREST THE MIGRATION FROM RURAL TO URBAN AREAS. THIS DOCUMENT APPEARED IN "FARM LABOR DEVELOPMENTS," APRIL 1966. (WB)

U.S. DEPARTMENT OF HEALTH, EDUCATION & WELFARE
OFFICE OF EDUCATION
THIS DOCUMENT HAS BEEN REPRODUCED EXACTLY AS RECEIVED FROM THE PERSON OR ORGANIZATION ORIGINATING IT. POINTS OF VIEW OR OPINIONS STATED DO NOT NECESSARILY REPRESENT OFFICIAL OFFICE OF EDUCATION POSITION OR POLICY.

ED014600

Farm Labor Costs and Food Prices 1964-65

The relationship between farm labor costs and retail food prices generated considerable public interest in 1965. Advocates of increased importation of temporary foreign agricultural labor attempted to link variations in fresh fruit and vegetable prices, which are normally volatile, to the termination of the bracero program, and to the higher wages which farmers seeking to employ foreign workers were required to pay under the Regulations of the Secretary of Labor.

Foreign-worker employment in U.S. agriculture declined sharply in 1965 and many employers, even those not employing foreign workers, found it necessary to pay higher wages in order to attract additional domestic workers. To measure the impact of these changes on farm-labor costs, food prices, and the return to the farmer, an analysis was made of the 1964-65 changes in these factors for selected crops in California.

California was chosen for the study because it is the Nation's leading agricultural State and because imported Mexican laborers constituted a significant share of the State's agricultural work force prior to 1965. In 1964, 52 percent of all foreign-worker employment in agriculture in this country was in California, and during the year, on the average, one out of every five seasonal farmworkers in the State was a foreign national. This ratio dropped to about 1 out of every 45 in 1965. Man-years worked by these foreign laborers totaled approximately 27,900 in 1964, but fell to only 2,700 in 1965, a decline of 88 percent.

Asparagus, cantaloup, celery, lemons, lettuce, strawberries, and tomatoes accounted for 71 percent of the State's total foreign-worker man-year input in agriculture in 1964 and 89 percent in 1965. Thus the study focuses on those crops most strongly affected by the Secretary's Regulations.

With the exception of strawberries and lemons, farm revenue to California growers from each of the selected crops increased in the past year. Returns from strawberries declined sharply as strawberry acreage decreased,

---

Source: Farm Labor Developments, April 1966.

VT002837

Table 1.—California Crop Production and Value, 1964 and 1965 [1]

Crop	Production (1,000 hundredweight)		Value (thousands)	
	1964	1965	1964	1965
Asparagus	1,831	[2] 1,647	$22,867	$24,056
For fresh market	585	624	8,600	10,421
For processing	1,246	[2] 1,023	14,267	13,635
Cantaloupes	6,770	6,070	28,682	30,330
Celery	7,419	7,491	32,515	32,873
Lemons [3]	13,148	10,260	46,364	41,580
Lettuce	23,005	23,851	92,876	96,443
Strawberries	2,286	[4] 2,009	46,853	39,211
For fresh market	1,411	1,219	34,428	27,212
For processing	875	790	12,425	11,999
Tomatoes	66,432	54,864	152,322	163,983
For fresh market	6,372	5,912	58,328	62,897
For processing [5]	60,060	48,952	93,994	101,086

[1] Source: *Vegetables—Fresh Market*, U.S. Department of Agriculture, except where otherwise noted.
[2] Includes 120,000 hundredweight not marketed and excluded in computing value.
[3] Production data from *Crop Production* 1965. Annual summary value data from *Crop Values*, December 1965.
[4] Includes 25,200,000 pounds not marketed and excluded in computing value.
[5] *Vegetables—Processing*, U.S. Department of Agriculture.

continuing a long-term trend evident for several years. In addition, adverse weather hampered the harvest in the spring months, and in the summer part of the strawberry production was not marketed because of the lack of harvest labor. Gains in other crop values over their 1964 levels range from $350,000 to about $11.5 million (table 1). These aggregate data reflect fluctuations in overall production and gross revenue, but do not reveal changes in labor costs, revenue, wages, and retail prices in terms of production or retail sales units. These are presented in table 2.

Tomatoes

In recent years, tomatoes led all other crops in the utilization of foreign workers. About 2,100 man-years, representing 69 percent of all foreign-worker employment in California in 1965, were in tomatoes. This total, however, was 72 percent below the 1964 level of 7,500 man-years. In this State, which produces about 60 percent of the Nation's tomatoes, wage rates for workers employed in producing tomatoes for the fresh market, as well as for processing, rose substantially in 1965 without any apparent detrimental effects to the growers or the general public.

In the fresh-market segment, increases of from 25 to 35 cents per hour for preharvest work and from 4 to 10 cents per 50-pound box harvested raised production-labor costs from $2.69 to $3.32 per hundredweight. The additional 63 cents in field-labor costs incurred by the grower was more than offset, however, by the $2.10 advance in the average price paid to the farmer. The average retail price rose about a penny a pound.

Table 2.—Changes in Wage Rates, Field Labor Costs and Prices for Selected California Crops, 1964 and 1965

Crop	Wage rates		Field labor costs		Price paid producer [1]	Retail price [2]
	Preharvest hourly	Harvest piece	Wholesale unit	Retail unit		
Asparagus:						
Fresh market:		30-lb. crate	30-lb. crate	Pound	30-lb. crate	Pound
1964	$1.00–$1.10	$1.00	$1.15	3.8c	$4.41	29.9c
1965	$1.25	$1.15	$1.32	4.4c	$5.01	36.9c
Percent change	15–25	15	15	16	14	23
Cantaloupes:		88-lb. crate	100 lbs.	Size 36 melon	100 lbs.	Size 36 melon
1964	$1.00–$1.15	25c	$1.09 av.	2.5c–2.8c	$4.24	[3] 28
1965	$1.10–$1.40	50c	$1.51 av.	3.4c–4.0c	$5.00	[3] 30
Percent change	10–40	100	39	39 av.	18	7
Celery:		30-lb. crate	100 lbs.	Pound	100 lbs.	Pound
1964	$1.00–$1.12	10c–25c	86.4c av.	.86c	$4.38	15.7c
1965	$1.05–$1.40	10c–25c	90.8c av.	.91c	$4.39	15.6c
Percent change	5–40	No change	5	5	([4])	—.6
Lemons:		53-lb. box	75-lb. box	Pound	75-lb. box	Pound
1964	$1.00–$1.25	25c–95c	$1.20	1.6c	[5] $3.50	21.2c
1965	$1.10–$1.50	35c–$1.25	$1.57	2.1c	[5] $4.34	23.6c
Percent change	10–50	32–40	31	31	24	11
Lettuce:		Crate-24 head	Crate-24 head	Head	100 lbs.	Head
1964	$1.00–$1.15	22c–24c	36c	1.5c	$4.04	24.6c
1965	$1.25	31c–34c	48c–50c	2.0c–2.1c	$4.04	25.5c
Percent change	9–25	29–55	33–39	33–40	0	4
Strawberries—fresh market:		12-lb. tray	12-lb. tray	1-lb. pint	1-lb. pint	1-lb. pint
1964	$1.00–$1.05	50c–70c	65.7c–86.4c	5.5c–7.2c	24.4c	35c
1965	$1.40	65c–85c	86.9c–$1.07	7.2c–8.9c	26.0c	38.8c
Percent change	33–40	[4] —70	.5–62	[4] —62	7	11
Tomatoes:						
Fresh market:		50-lb. box	100 lbs.	Pound	100 lbs.	Pound
1964	$1.05–$1.15	16c–18c	$2.59 av.	2.59c av.	$9.15	33.2c
1965	$1.40	19c–28c	$3.32 av.	3.32c av.	$10.64	34.3c
Percent change	22–33	19–75	28	28	16	3
For canning—#303 can:		50-lb. box	Ton	#303–1.5 lbs.	Ton	#303 can
1964	$1.05–$1.15	15c–22c	$11.03 av.	.83c av.	$31.30	16.0c
1965	$1.40	26c–28c	$15.43 av.	1.16c av.	$41.30	16.1c
Percent change	22–33	18–87	40	40	32	0.6

[1] *Vegetables—Fresh Market*, U.S. Department of Agriculture 1965, or *Vegetables—Processing*, U.S. Department of Agriculture 1965.
[2] *Estimated Retail Food Prices by City*, Bureau of Labor Statistics.
[3] Unofficial estimates.
[4] Less than 0.5 percent.
[5] *Agricultural Prices*, September 1965 Supplement, U.S. Department of Agriculture.

Field-labor costs for tomatoes for canning were about $4.40 more per ton in 1965 than in 1964, but the $10 more per ton received by the growers more than offset the added labor cost. The retail price of canned tomatoes did not change significantly in 1965, but the full impact of the effects of the increased production cost cannot be determined until the crop is marketed in 1966.

Lettuce

Lettuce growers in 1964 were the State's second largest users of foreign workers, with a total of 3,382 man-years. In 1965, foreign worker employment fell to only 59 man-years, while the man-years of seasonal domestics jumped from 1,615 to 3,322. Increases of from 10 to 25 cents per hour for preharvest work and 10 to 12 cents per crate (24 heads) led to a rise in field-labor costs of 12 to 14 cents per crate, or about 24 to 28 cents per hundredweight. However, the annual average price paid to the grower remained at $4.04 per hundred pounds, indicating a possible decline in net revenue.

The importance of California lettuce to retail markets throughout the country is indicated by the fact that this State produces nearly 60 percent of the Nation's lettuce. Although there were some sharp fluctuations during the year, the annual average retail price increased less than 1 cent per head.

Strawberries--Fresh Market

California strawberry growers produced 42 percent of the Nation's strawberries and were the third largest users of foreign workers in the State prior to 1965. In 1964, 3,236 man-years of work, representing 73 percent of total labor requirements, were performed by foreign workers. Only 357.5 man-years of foreign labor, 13 percent of the total, were used in 1965 for all strawberry production. Increases of 35 to 40 cents in the hourly preharvest rate, and 15 to 35 cents per 12-pound tray in the harvest rate, raised 1965 field-labor costs by an estimated average of 1.7 cents per pound. Both the seasonal average price to the producer and the average retail price for fresh strawberries rose by about the same amount or more, indicating the advance in labor costs had been passed along to the consumer.

Green Asparagus--Fresh Market

California growers produce half of the Nation's asparagus and have in past years been heavily dependent on foreign workers. In 1964, foreign workers accounted for almost half of the man-years used on the entire asparagus crop. But, in 1965, foreign workers contributed less than one-tenth of the man-years required. Rates for preharvest work rose 15 to 25 cents per hour in 1965, and harvest piece rates increased 15 cents

for a 30-pound crate. Total field-labor costs rose 15 percent, from $1.15 in 1964 to $1.32 per crate in 1965. Since the grower received $5.01 per crate in 1965, compared with $4.41 in 1964, he recovered the 17 cents additional cost to him plus 43 cents. Retail prices jumped 7 cents per pound, although field-labor costs rose less than a cent.

Cantaloup

Foreign employment in melons dropped from 766 man-years in 1964 to 0 in 1965. Wage increases, ranging from 10 to 40 cents per hour for preharvest work and 25 cents per 88-pound crate for harvesting, raised the production-labor cost of a 100-pound box by an average of 42 cents. Despite this advance, the farmer (all other factors being equal) netted more in 1965 than in 1964, since he received 76 cents more per 100 pounds in 1965. Unofficial estimates place the price increase to the consumer at 2 cents per melon.

Celery

California, the Nation's leading celery-producing State, used 938.8 man-years of foreign labor in 1964 to supplement the seasonal domestic labor supply. In 1965, only 24.8 man-years of foreign labor were used, but more celery was produced. Higher production-labor costs, averaging 5 cents per hundredweight, resulted from advances of from 5 to 40 cents in the hourly preharvest wage. The price paid to the grower went up only 1 cent per hundredweight in 1965 and the retail price remained virtually unchanged, despite the 5-percent increase in production-labor costs.

Lemons--Fresh Market

California, producing 90 percent of the Nation's lemons, has relied generally on large numbers of foreign workers. In 1964, 1/ of the total 3,244 man-years required for lemon production, 2,611 were contributed by contract foreign workers. In 1965, only 63 man-years of foreign labor were used, as man-years of domestic seasonal labor rose from 633 in 1964 to 2,731 in 1965. Higher wages undoubtedly helped to attract more domestic workers, but also raised production-labor costs an average of 37 cents per 75-pound box. Since the grower received 84 cents more per box, it would seem that the increase in his selling price more than compensated for the additional labor cost. The retail price of a pound of lemons to the public rose from 21.2 cents in 1964 to 23.6 in 1965, with the farmer's share of this increase amounting to about 1 cent.

1/ Crop years begin in the fall of the prior year.

Summary

The changes in wages, production-labor costs, prices paid to the farmer, and retail prices support the hypothesis that field-labor costs may rise substantially without causing a significant change in retail prices. While substantial wage increases were experienced in all of the crops selected for study, in only two cases did retail prices move up sharply --asparagus prices rose 7 cents per pound over 1964, and strawberries advanced 3.8 cents per pound, or 11 percent, over the year. The only other price gains were 2.4 cents per pound for lemons and a cent or less for tomatoes (fresh or canned) and 0.9 cents for lettuce. The consumer price posted for celery was 0.1 cents below the 1964 level.

Increases in wage costs were less than advances in prices paid to the grower for all crops except celery and lettuce. In all other instances, increases in field-labor costs were matched or exceeded by advances in prices paid to the producer. Actually, the additional amount paid to the grower generally ranged from two to three times the amount of the increased labor cost.

Thus, it appears that wages of farmworkers can be increased substantially, at least in some crops and areas, without significantly affecting food prices or the agricultural economy. These findings indicate that major advances could be made toward improving the living standards of persons currently employed in agriculture and in making agricultural employment more attractive to the young people to arrest the migration from rural to urban areas.

Technical Note

Field-labor costs per production and retail units were calculated as follows: Preharvest man-hour requirements per acre for each of the selected crops were obtained from the report "Seasonal Labor in California Agriculture," published by the Division of Agricultural Sciences of the University of California in 1963. The man-hour requirement per acre was divided by the production per acre to obtain the preharvest man-hour requirements per unit of production for each crop. This, applied to the preharvest wage rate, produced the preharvest-labor cost per production unit. The prevailing piece rate for the crop was then used to obtain the harvest-labor cost per unit. The sum of the preharvest-and harvest-labor costs per unit is the total labor cost per unit of production. Where necessary, this was converted to wholesale or retail units to permit a direct comparison of production-labor costs, revenue, and retail prices.